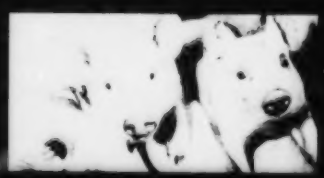
1999 ANNUAL REPORT



SASKATCHEWAN GOVERNMENT
GROWTH FUND
MANAGEMENT CORPORATION

SGGF MANAGEMENT CORPORATION

Creating economic wealth and diversification through investment of immigrant investor capital in Saskatchewan

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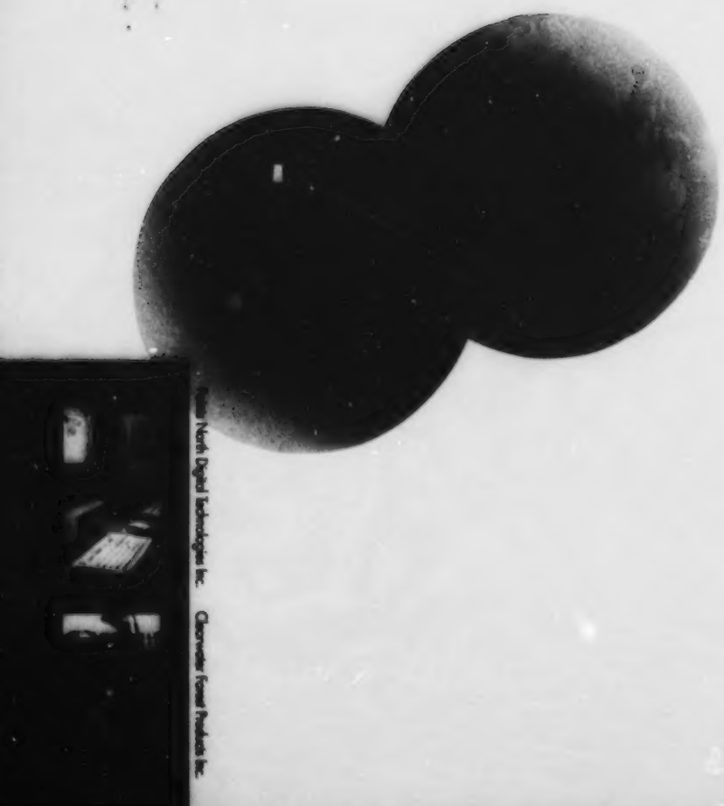


Cybernetic Forest Products Ltd.

North Digital Technologies Inc.

MISSION STATEMENT

The mission of Saskatchewan Government Growth Fund Management Corporation is to participate in the federal government's Immigrant Investor Program for the purpose of acquiring relatively low cost capital for investment in the Saskatchewan economy on commercial terms, thereby creating economic wealth and diversification, while also ensuring a return of capital and nominal investment income to the immigrant investor.

Sky Farms Inc.

PSC Akasik Inc.

Boston Inc.

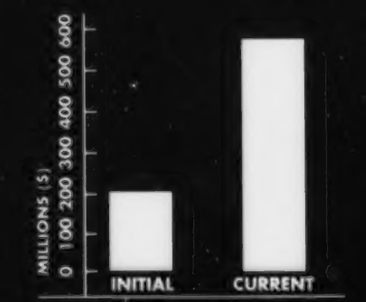
Upton Resources Inc.

John Nelson Construction Ltd.

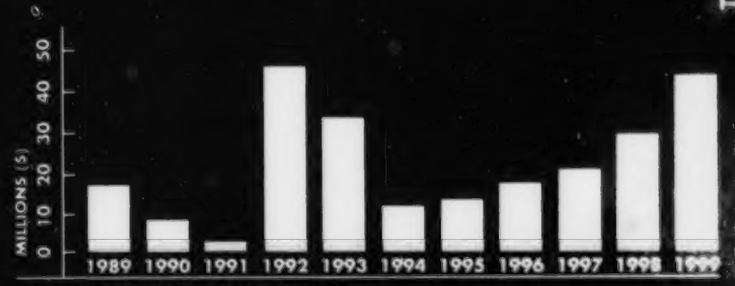
FINANCIAL HIGHLIGHTS

Since SGGF began in 1989 more than $246 million of capital has been raised by the eight fund companies and over $170 million has been invested in eligible businesses. Highlights from each of the fund companies are:

- SGGF I redeemed the last of its 651 investors in 1998 and continues to work towards divesting itself of its remaining investments.
- The first of SGGF II's noteholders were repaid in 1999 with the remaining due for repayment in 2000 and early 2001.
- SGGF III is fully invested with the focus of activity shifting to liquidation of its portfolio in anticipation of investor repayments scheduled to begin in late 2000.
- All 136 investors in SGGF IV have been issued their notes with investment activity continuing.
- Investment activity began with the funds raised from the 135 subscribers to SGGF V.
- SGGF VI, VII and VIII were launched during the year with each attracting its full complement of 140 subscribers.



TOTAL SALES LEVEL OF INVESTEES



INVESTOR CAPITAL RAISED BY YEAR

LETTER OF TRANSMITTAL

Regina, Saskatchewan
March, 2000

Honourable Janice MacKinnon
Minister Responsible

To Her Honour
The Honourable L.M. Haverstock
Lieutenant Governor of the
Province of Saskatchewan

Madam:

I have the honour to submit herewith the Annual Report of Saskatchewan Government Growth Fund Management Corporation for the year ended December 31, 1999, including the consolidated financial statements duly certified in the form approved by the Treasury Board, all in accordance with The Crown Corporations Act, 1993.

I have the honour to be,

Your obedient servant,

Honourable Janice MacKinnon
Minister Responsible
Saskatchewan Government Growth Fund Management Corporation

100-05092/

MESSAGE FROM THE PRESIDENT

Gary K. Benson
President and CEO

On March 31, 1999, SGGF Management Corporation ended its ten year participation in the federal government's Immigrant Investor Program. During this time SGGF Management Corporation launched eight fund companies that to date have raised $246.8 million from 1,567 investors wanting to immigrate to Canada. We are particularly proud of the fact that in the first three months of 1999, we successfully marketed three new funds (SGGF VI, SGGF VII and SGGF VIII).

SGGF Management Corporation has been very successful in deploying this capital in the Saskatchewan economy. Over $147.2 million has been invested in 55 Saskatchewan businesses to help them grow and prosper. SGGF's capital has helped these companies increase their level of sales from $244 million to $522 million and expand their employee numbers from 1,300 to over 3,000. In addition to this, SGGF has invested $22.9 million in infrastructure loans.

Each of the eight funds is at a different stage of its natural life cycle. At one extreme, SGGF Ltd. is in the process of liquidating its remaining investments, having repaid all of its investors. At the other extreme, SGGF VIII continues to receive subscription monies and is at the early stages of making new investments.

Several of SGGF's investees are performing at a level less than expected. Some continue to be plagued by start-up problems while others have been hurt by a period of low commodity prices, particularly agricultural commodities. The financial condition of these companies has deteriorated and SGGF has been forced to record loss provisions against several of them. We are hopeful that with improved commodity prices the fortunes of these distressed enterprises will also improve.

SGGF II was particularly hard hit because of its obligation to repay investors as their bonds matured. Because a number of investments were not performing and therefore unable to repay SGGF II as planned, SGGF II was forced to divest its more liquid investments to meet its obligations on time. Looking forward, the ability to repay investors on time will be determined by how successful we are at liquidating our positions in the non-performing investments. While there may be some delays in paying investors at maturity, we are confident that eventually all will be repaid in full.

An essential component of any successful marketing program is investor financing. Fund managers, such as SGGF, arrange for a commercial lending institution to make loans available to new immigrant investors secured only by the investment units purchased with the loans. In SGGF's case, investors could select a $175,000 or $150,000 loan option.

During 1999, interest rates in Canada steadily increased to the point where the $175,000 loan option became financially unviable for the lending institution. SGGF responded quickly by amending the offering memoranda of four of its funds, allowing it to increase the interest paid on its notes and thereby keeping the $175,000 loan option, although somewhat modified, available to investors.

We look forward to the new millennium and the investment challenges it brings. Over the next two years, we expect to invest $39.6 million in small and medium-sized enterprises and a further $74.2 million in infrastructure projects, all within the province of Saskatchewan.

Gary Benson

Gary K. Benson
President and CEO

MANAGEMENT DISCUSSION AND ANALYSIS

The mission of Saskatchewan Government Growth Fund Management Corporation ("SGGF Management Corporation") is to participate in the federal government's Immigrant Investor Program ("IIP") for the purpose of acquiring relatively low cost capital for investment in the Saskatchewan economy on commercial terms, thereby creating economic wealth and diversification, while also ensuring a return of capital and nominal investment income to the immigrant investor.

With the expected end to the IIP on March 31, 1999 and the increased investment requirements of the new federal IIP, SGGF Management Corporation experienced an overwhelming demand for its investment product. Consequently, three new funds were started and fully subscribed to during the year.

TOTAL SALES LEVEL OF INVESTEES

On March 31, 1999 the IIP did in fact come to an end. This means that SGGF Management Corporation will no longer be able to raise new immigrant investor capital. While the federal government did launch a new program on April 1, 1999, SGGF Management Corporation is not participating in it. The pool of capital currently under management and from the three new funds launched in 1999 will require administration for at least the next six years.

SGGF Management Corporation manages eight government-administered venture capital funds under the old IIP. Specifically:

Saskatchewan Government Growth Fund Ltd. ("SGGF I");
Saskatchewan Government Growth Fund II Ltd. ("SGGF II");
Saskatchewan Government Growth Fund III Ltd. ("SGGF III");
Saskatchewan Government Growth Fund IV Ltd. ("SGGF IV");
Saskatchewan Government Growth Fund V (1997) Ltd. ("SGGF V");
Saskatchewan Government Growth Fund VI Ltd. ("SGGF VI");
Saskatchewan Government Growth Fund VII Ltd. ("SGGF VII"); and
Saskatchewan Government Growth Fund VIII Ltd. ("SGGF VIII").

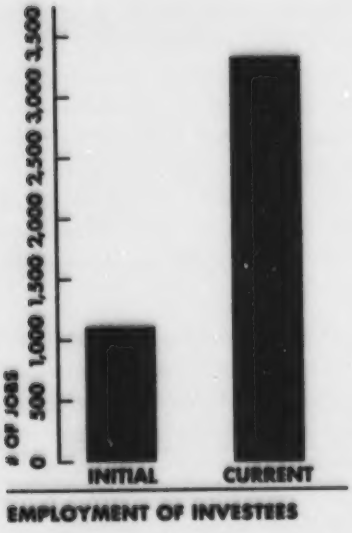
Since 1989, SGGF has raised, through its eight fund companies, more than $246 million of immigrant investor capital for investment in Saskatchewan small and medium-sized enterprises. To the end of 1999 over $170 million of this capital has been invested. Of the 704 investors that have had their investments mature in SGGF I and SGGF II, all have received payment in full and on time in accordance with the terms of their Offering Memoranda.

Biostar Inc.

Big Sky Farms Inc. Clearwater Forest Products Inc. Dutch Industries Ltd.

The operating revenues of SGGF Management Corporation are based on the expenditure levels of the corporation, as ongoing management expenses are charged to the fund companies at a modest mark up. Ignoring the effect of the consolidation of SGGF I, revenues of $1.7 million in 1999 are down marginally from the $1.8 million earned in 1998.

Since all of SGGF I's investors have been redeemed and SGGF Management Corporation is now able to share in the risks and rewards of ownership of SGGF I, SGGF I's results have been consolidated with those of SGGF Management Corporation in these financial statements.



EMPLOYMENT OF INVESTEES

FarmGro Organic Foods Inc.
Prairie Plant Systems Inc.
PSC Akwok Inc.
TriNexus Holdings Ltd.
Upton Resources Inc.
621400 Saskatchewan

Fund Company Highlights

Since SGGF I redeemed the last of its investors in 1998, the focus for 1999 was on managing its portfolio with a view to liquidating its investments. No significant divestments were made during the year and one investment was written off for a loss of $1.1 million.

In SGGF II, repayments to investors began during the year. A total of 53 investors were repaid in full in 1999 with the remaining 71 investors scheduled for 2000 and early 2001. One $6.4 million debt investment was repaid during the year. Divestments will continue in order to meet investor repayment requirements. At December 31, investments had been made in 17 companies for a cumulative total of $41.4 million, including amounts reinvested after repayments and divestment. At year end the portfolio under management totalled $20.4 million.

A total of 115 Notes have been issued to December 31, 1999 in SGGF III representing $28.8 million of capital. The total investment portfolio is now more than $20.7 million with investments in 12 companies. In order to attract the remaining depositors to become full subscribers, SGGF III has arranged leveraged financing for investors through conventional financing services.

To the end of 1999 SGGF IV had issued its full complement of 136 Notes representing $34 million of investor capital. A cumulative total of $21.6 million has been invested in businesses with $18.3 million outstanding at December 31, 1999. SGGF IV was the first fund company to arrange leveraged financing for investors through conventional financing services. This was required in order to compete with those offered by the other provincial immigrant investor funds.

In 1999, the fifth fund, SGGF V, was able to attract its maximum of 140 subscribers. Notes representing $17.8 million of capital have been issued to December 31, 1999. Investments totalling $3.8 million were made in four Saskatchewan businesses during the year. SGGF V arranged for the same leveraged financing options as SGGF IV.

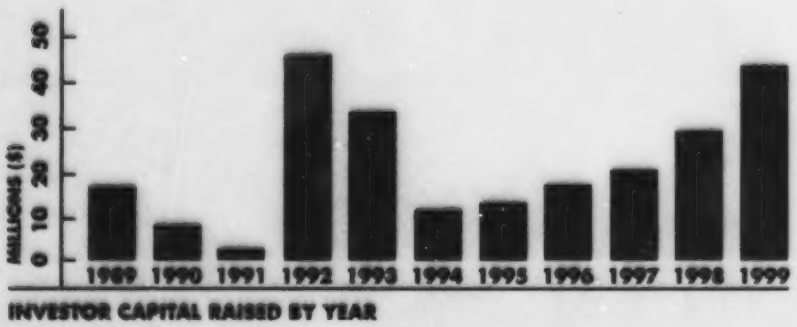
The newest funds, SGGF VI, SGGF VII and SGGF VIII, were all launched in 1999 due to the overwhelming demand from immigrant investors. Each of these funds is currently focussed on collecting the full subscription amount from each of their 140 subscribers. These funds also offer leveraged financing options to investors.

To December 31, 1999, the total accumulated surplus of all fund companies is $15.9 million. Five of the eight fund companies were able to show a profit in 1999. The three others recorded a loss due primarily to provisions for unrealized losses on investments held in their portfolios. The only fund to experience a realized loss on its investments was SGGF I. In most cases, the cash position and repayment requirements of the funds are such that management is able to hold these investments until their prices recover.

In SGGF II, management has instituted an extensive monthly cash flow monitoring exercise in order to identify any timing differences between the planned liquidation of investments and scheduled investor repayments. While full repayment of all remaining investors is reasonably assured, the timing of repayment may be affected by delays being experienced in liquidating investments. Full repayments will continue until management determines that a definite timing problem exists.

Dutch Industries Ltd.

Clearwater Forest Products Inc.



INVESTOR CAPITAL RAISED BY YEAR

Outlook for 2000

SGGF I will continue to pursue profitable exits from investments. SGGF II's focus will be on divestments as scheduled investor repayments continue throughout 2000 and into 2001. The focal points for SGGF III will be on monitoring the performance of its investee companies and preparing for investor repayments beginning in December 2000. The objective for SGGF IV will be to find suitable investments to round out its investment portfolio. SGGF V will work towards attracting full subscription amounts from its remaining subscribers and building a portfolio of diversified eligible business investments.

Activity in the newest funds, SGGF VI, SGGF VII and SGGF VIII, will be centered around attracting full subscription amounts from depositors as well as commencing investment of this capital.

Year 2000 Issue

During the year management conducted a detailed review of its information systems and undertook to make the modifications necessary to ensure its systems were year 2000 ready. No problems were experienced during the rollover to the year 2000. However, management is not able to determine if all entities that it does business with are year 2000 ready and any problems that this may cause.

Summary of Financial Position

As at December 31, 1999

	Cash & Short Term Investments	Investments	Other Assets	Total Assets	Liabilities	Fund Balance
SGGF I	$3,874,573	$11,944,685	$8,389	$15,827,647	$759,183	$15,068,464
SGGF II	3,967,458	14,477,031	553,792	18,998,281	19,918,183	(919,902)
SGGF III	7,890,377	19,451,774	1,358,154	28,700,305	29,228,050	(527,745)
SGGF IV	15,120,810	18,017,779	2,606,903	35,745,492	34,635,210	1,110,282
SGGF V	22,377,090	3,602,604	2,246,400	28,226,094	27,381,884	844,210
SGGF VI	13,149,161	-	928,236	14,077,397	13,822,093	255,304
SGGF VII	9,727,610	-	701,274	10,428,884	10,297,875	131,009
SGGF VIII	2,918,603	-	162,767	3,081,370	3,079,453	1,917
Total	$79,025,682	$67,493,873	$8,565,915	$155,085,470	$139,121,931	$15,963,539

Summary of Results of Operations

For the Year Ending December 31, 1999

	Revenue	Administrative Expenses	Financial Expenses	Total Expenses	Income from Operations	Provision for Investment Losses	Net (Loss) Earnings
SGGF I	$975,103	$(535,155)	$-	$(535,155)	$1,510,258	$2,830,458	$(1,320,200)
SGGF II	1,334,878	252,036	786,434	1,038,470	296,408	1,017,040	(720,632)
SGGF III	3,108,071	379,866	2,453,647	2,833,513	274,558	444,984	(170,426)
SGGF IV	3,350,419	319,181	2,277,586	2,596,767	753,652	275,000	478,652
SGGF V	1,433,320	233,458	384,928	618,386	814,934	-	814,934
SGGF VI	436,175	56,515	125,356	181,871	254,304	-	254,304
SGGF VII	291,122	44,660	116,453	161,113	130,009	-	130,009
SGGF VIII	122,266	43,891	77,458	121,349	917	-	917
Total	$11,051,354	$794,452	$6,221,862	$7,016,314	$4,035,040	$4,567,482	$(532,442)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

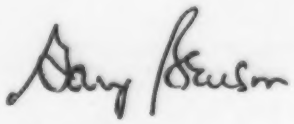
The accompanying consolidated financial statements of the Saskatchewan Government Growth Fund Management Corporation have been prepared by management in accordance with generally accepted accounting principles, and necessarily include some amounts based on informed judgement and management estimates. Financial data presented elsewhere in this annual report is consistent with that in the financial statements.

As appointed by the Lieutenant Governor in Council and approved by Crown Investments Corporation of Saskatchewan, the corporation's independent auditor, Deloitte & Touche, have examined the consolidated financial statements of the corporation. The scope of their examination and their opinion on whether these consolidated financial statements present fairly the corporation's financial position and operating results are given in the Auditors' Report.

Ensuring the integrity and objectivity of financial information is an integral part of management's responsibility to the ongoing operation. Management maintains an appropriate system of internal accounting and administrative controls, policies and procedures to provide reasonable assurance that all financial information is relevant, reliable and accurate and that all transactions are authorized, assets are safeguarded and proper records are maintained.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and ultimately responsible for reviewing and approving these consolidated financial statements.

On behalf of management,



Gary K. Benson
President and CEO

Mike Marth, CA, CMA
Controller

Upton Resources Inc.

Boxter Inc.

AUDITORS' REPORT

To the Members of the Legislative Assembly,
Province of Saskatchewan:

We have audited the Consolidated Statement of Financial Position of Saskatchewan Government Growth Fund Management Corporation as at December 31, 1999, and the Consolidated Statement of Operations and Retained Earnings and Consolidated Statement of Cash Flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
January 31, 2000

FarmGro Organic Foods Inc.
621400 Saskatchewan Ltd.
Prairie Plant Systems Inc.
PSC Akwatk Inc.
Big Sky Farms Inc.

FINANCIAL STATEMENTS

Saskatchewan Government Growth Fund Management Corporation

Consolidated Statement of Financial Position
As at December 31

Assets		
Cash and cash equivalents (Note 3)	$ 3,990,259	$ 3,323,295
Accounts receivable and prepaid expenses	159,320	239,370
Investments (Note 4)	11,944,685	14,948,341
Investments in fund companies (Note 5)	8,000	5,000
Capital assets (Note 6)	83,063	74,995
	$ 16,185,327	**$ 18,591,001**
Liabilities		
Accounts payable and accrued liabilities (Note 7)	$ 750,338	$ 1,553,351
Commissions payable	78,750	78,750
Redemptions payable	-	375,000
Cash advance	-	49,716
	829,088	**2,056,817**
Province of Saskatchewan's Equity		
Equity advances (Note 8)	1,031	1,031
Retained earnings	15,355,208	16,533,153
	15,356,239	**16,534,184**
	$ 16,185,327	**$ 18,591,001**

Commitments (Note 14)

See accompanying notes to financial statements

On behalf of the Board:

Director

Director

621400 Saskatchewan Ltd. Prairie Plant Systems Inc.

Saskatchewan Government Growth Fund Management Corporation

Consolidated Statement of Operations and Retained Earnings
For the Year Ended December 31

Revenues		
Management fees (Note 13)	$1,566,622	$1,805,166
Investment income	761,895	-
Interest and other income	221,357	2,554
	2,549,874	1,807,720
Expenses		
Investment advisor fees (Note 11)	(422,899)	444,589
Wages and salaries	585,293	572,386
General administration	239,437	242,516
Legal fees	216,785	303,893
Professional fees	139,532	91,232
Directors' fees and expenses	107,257	84,665
Amortization of capital assets	31,956	27,707
	897,361	1,766,988
Income from operations	1,652,513	40,732
Retained earnings of subsidiary (Note 10)	-	16,388,633
Income before investment losses	1,652,513	16,429,365
Provision for investment losses (Note 4)	2,850,840	-
Allowance for unrealized losses (Note 4)	(20,382)	-
Net (loss) income	(1,177,945)	16,429,365
Retained earnings, beginning of year	16,533,153	103,788
Retained earnings, end of year	$15,355,208	$16,533,153

See accompanying notes to financial statements

Points North Digital Technologies Inc.
TriNexus Holdings Ltd.
John Nelson Construction Ltd.
Clearwater Forest Products Inc.
FarmGro Organic Foods Inc.

Saskatchewan Government Growth Fund Management Corporation

Consolidated Statement of Cash Flows
For the Year Ended December 31

Cash flows from operating activities		
Net (loss) income	$ (1,177,945)	$ 16,429,365
Adjustments for:		
Amortization of capital assets	31,956	27,707
Provision for investment losses	2,850,840	-
Allowance for unrealized losses	(20,382)	-
Retained earnings of subsidiary (Note 10)	-	(16,388,633)
Net change in non-cash balances related to operations (Note 12)	(722,963)	(6,030)
Cash flows from operating activities	961,506	62,409
Cash flows from financing activities		
Repayment of subscriptions	(375,000)	-
Repayment of cash advance	(49,716)	(55,000)
Cash flows from financing activities	(424,716)	(55,000)
Cash flows from investing activities		
Investment in fund companies	(3,000)	(1,000)
Disbursements on investments	(1,215,160)	-
Repayments from investments	1,388,358	-
Purchase of capital assets	(40,024)	(3,600)
Cash flows from investing activities	130,174	(4,600)
Net increase in cash	666,964	2,809
Cash and cash equivalents at beginning of year	3,323,295	3,320,486
Cash and cash equivalents at end of year	$ 3,990,259	$ 3,323,295

See accompanying notes to financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Status of the corporation

Saskatchewan Government Growth Fund Management Corporation ("SGGF Management Corporation") has been established for the purpose of creating and managing fund companies that have been accepted as government administered venture capital funds under the federal government's Immigrant Investor Program. Order-in-Council #660/1998 establishes that the provisions of The Crown Corporations Act, 1993 apply. Accordingly, the financial results of SGGF Management Corporation are included in the consolidated financial statements of Crown Investments Corporation of Saskatchewan ("CIC").

As of December 31, 1998, these consolidated results include the investment activities of SGGF Management Corporation's subsidiary, Saskatchewan Government Growth Fund Ltd. ("SGGF I").

Saskatchewan Government Growth Fund Management Corporation is a provincially owned Crown corporation and therefore is not subject to federal or provincial income taxes.

2. Significant accounting policies

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles. The following are considered significant:

Consolidation

The consolidated financial statements include the accounts of SGGF Management Corporation and its subsidiary, SGGF I. All intercompany transactions and balances have been eliminated.

In November 1998 Order-in-Council #660/1998 was passed allowing SGGF Management Corporation to receive the net profits of any subsidiary fund company. Effective December 23, 1998, the last of the investors in SGGF I was redeemed. Thereafter, SGGF Management Corporation was able to share in the risks and rewards of ownership of SGGF I. Accordingly, effective December 31, 1998 the results of SGGF I have been consolidated in these statements. See Note 10 for additional information.

Investments

Investments include debt and equity investments in private and public companies. Investments, other than publicly traded shares, are carried at cost. Income from equity investments is recognized when received and income from debt investments is recognized as earned. The fair value of investments in private companies is not determinable and therefore has not been disclosed.

Investments in shares having quoted market values, and which are traded on a recognized exchange, are recorded at the lower of cost and average closing market price for the last 20 business days of the year. Unrealized losses in the value of investments in publicly traded shares are recorded in the Consolidated Statement of Operations and Retained Earnings, in the allowance for unrealized losses.

Investments are reviewed on a regular basis. Where impairment is identified, the exposure is compared to the estimated net realizable value of the security and, if appropriate, a provision established. An investment is considered impaired when there is no longer reasonable assurance of the timely collection of the full amount of principal and income. Income is not accrued for accounting purposes on impaired investments.

There is a clearly demonstrated intention to dispose of the investments in due course. Accordingly, investee companies over which SGGF I has significant influence are not consolidated.

Investments in fund companies

As at December 31, SGGF Management Corporation owned 100% of the Class A common shares of seven companies, collectively known as "the funds":

Saskatchewan Government Growth Fund II Ltd. ("SGGF II");
Saskatchewan Government Growth Fund III Ltd. ("SGGF III");
Saskatchewan Government Growth Fund IV Ltd. ("SGGF IV");
Saskatchewan Government Growth Fund V (1997) Ltd. ("SGGF V");
Saskatchewan Government Growth Fund VI Ltd. ("SGGF VI");
Saskatchewan Government Growth Fund VII Ltd. ("SGGF VII"); and
Saskatchewan Government Growth Fund VIII Ltd. ("SGGF VIII").

SGGF Management Corporation does not guarantee the performance of the funds nor does it share in the risks of ownership until all investor obligations have been satisfied. Investments in the funds are recorded at cost. Readers should refer to the audited financial statements of the funds for further information on their financial position and operating results.

Capital assets

Capital assets are recorded at cost. When capital assets are disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in the Consolidated Statement of Operations and Retained Earnings.

Capital assets are amortized over their estimated useful lives on a straight-line basis.

Redemptions payable

Redemptions payable represent the second payment owing to investors who have redeemed their shares in accordance with the terms of the Confidential Offering Memorandum for SGGF I. Second payments are made within six months of date of redemption.

3. Cash and cash equivalents

Included in cash and cash equivalents is a Bankers Acceptance totalling $1,978,180. This investment matures February 23, 2000 and carries an interest rate of 4.85%.

4. Investments

	1999	1998
Debt	$ 3,616,987	$ 4,983,388
Equity	15,288,837	15,245,269
Provision for losses	(3,923,499)	(2,222,294)
Allowance for unrealized losses	(3,037,640)	(3,058,022)
	$ 11,944,685	$ 14,948,341

Included in investments are $12,387,983 (1998 – $3,506,926) of impaired investments, net of accumulated provision for losses of $3,923,499 (1998 – $2,222,294), upon which income is not accrued. During the year investments and costs of $1,149,635 (1998 – $2,400,000) were written off.

Equity investments include publicly traded shares at a cost of $3,751,289 (1998 – $3,751,289), with an aggregate market value of $713,650 (1998 – $693,268). These are recorded at the lower of cost and average closing market price for the last 20 business days of the year, on an individual basis.

Clearwater Forest Products Inc.
FarmGro Organic Foods Inc.

During the year investments decreased as follows:

	1999	1998
Balance, beginning of year	$ 14,948,341	$ 21,770,619
New investments	1,215,160	1,340,640
Repayments	(1,388,358)	(3,595,475)
Provision for losses	(2,850,840)	(2,711,039)
Allowance for unrealized losses	20,382	(1,856,404)
Balance, end of year	$ 11,944,685	$ 14,948,341

5. Investments in fund companies

	1999	1998
Shares, at cost:		
SGGF II	$ 1,000	$ 1,000
SGGF III	2,000	2,000
SGGF IV	1,000	1,000
SGGF V	1,000	1,000
SGGF VI	1,000	-
SGGF VII	1,000	-
SGGF VIII	1,000	-
	$ 8,000	$ 5,000

6. Capital assets

			1999		
	Rate	Cost	Accumulated Amortization	1999 Net Book Value	1998 Net Book Value
Furniture and office equipment	14.29%	$ 99,303	$ 56,574	$ 42,729	$ 38,846
Computer and cellular equipment	25.00%	88,395	48,061	40,334	36,149
		$ 187,698	$ 104,635	$ 83,063	$ 74,995

7. Accounts payable and accrued liabilities

Included in accrued liabilities is a $625,000 (1998 – $1,333,700) provision for future fees payable to an investment advisor under the terms of its investment services agreement with SGGF I. This amount is payable to the investment advisor pending resolution of a contingency associated with a divestment. Interest earned on this amount is paid to the investment advisor.

8. Equity advances

SGGF Management Corporation does not have share capital. However, SGGF Management Corporation has received advances from CIC to form its equity capitalization. The advances are an equity investment in SGGF Management Corporation by CIC.

9. Financial instruments

SGGF I's primary business is the investment of funds in new and expanding Saskatchewan businesses. This entails exposure to market risk, credit risk, interest rate risk and liquidity risk.

Market Risk

Market risk faced by SGGF I is the risk that the fair value of its investments may decline due to a reduction in the anticipated earnings generated by the businesses in which SGGF I invests. Some of the companies in which SGGF I invests are dependent upon a single product or industry. SGGF I manages these risks through careful due diligence prior to committing funds to the investment and ensuring that the overall portfolio is properly diversified across various industry sectors.

Credit Risk

Credit risk arises from the potential that an investee will fail to perform its obligations. Concentration of credit exposure may arise given that SCGF I restricts its investments to businesses operating in Saskatchewan and therefore all investments are subject to similar economic conditions. The ability of such companies to meet contractual obligations would be similarly affected by changing economic, political or other conditions. SCGF I conducts a thorough due diligence process prior to committing to the investment and actively monitors the financial health of its companies on an on-going basis. In addition, some companies operate in and export to other provinces or international markets thereby mitigating this risk.

Interest Rate Risk

Interest rate risk reflects the risk that SCGF I's earnings will decline due to fluctuations in interest rates. SCGF I manages this risk through careful monitoring and matching the duration of its short-term deposits and investments with its liabilities. By matching the duration of its assets and liabilities, changes in the fair value of short-term deposits and investments will be offset by changes in the value of its liabilities.

Liquidity Risk

Liquidity risk is the risk that SCGF I will encounter difficulty in liquidating its investments at an amount close to fair value. Since the last of the investors in SCGF I have been redeemed there is no immediate need to liquidate the remaining investments. SCGF I intends to hold these investments until it is able to liquidate them at an amount close to fair value.

Fair Value – Investments

There is no active secondary market for many of the investments in which SCGF I invests, and the uncertainty and potentially broad range of outcomes pertaining to the future cash flows from these investments renders the calculation of a fair value with appropriate reliability impractical. The factors that impact the fair value are described above.

10. Retained earnings of subsidiary

Effective December 31, 1998 the results of SCGF I have been consolidated and have been accounted for using the purchase method. Summarized financial statements of SCGF I are as follows:

	1999	1998
Statement of Financial Position		
Cash	$ 3,874,573	$ 3,311,427
Investments	11,944,685	14,948,341
Other assets	8,389	48,758
	$ 15,827,647	$ 18,308,526
Liabilities	$ 759,183	$ 1,919,862
Equity	15,068,464	16,388,664
	$ 15,827,647	$ 18,308,526
Statement of Operations		
Revenues	$ 975,103	$ 3,312,759
Expenses	(535,155)	1,006,688
Investment losses	2,830,458	4,567,443
Net loss	$ (1,320,200)	$ (2,261,372)

The effect of the consolidation of SCGF I in 1998 is reflected on a line by line basis in the Consolidated Statement of Financial Position and as a one line adjustment in the Consolidated Statement of Operations and Retained Earnings and Consolidated Statement of Cash Flows.

11. Investment advisor fees

Included in investment advisor fees is a $708,700 recovery of fees payable to an investment advisor upon termination of its investment services agreement with SGGF I.

12. Net change in non-cash balances related to operations

	1999	1998
Accounts receivable and accrued income	$ 80,050	$ (114,736)
Accounts payable and accrued liabilities	(803,013)	108,706
	$ (722,963)	$ (6,030)

13. Related party transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to SGGF Management Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

Under the terms of ten year Management Agreements between SGGF Management Corporation and the funds, SGGF Management Corporation administers the assets of the funds. The Agreements expire in the following years:

SGGF II	2003
SGGF III and IV	2004
SGGF V	2008
SGGF VI, VII and VIII	2009

SGGF Management Corporation is engaged to provide substantially all of the management services required by the funds. SGGF Management Corporation performs this function directly and with the assistance of various investment advisors to perform due diligence, monitoring and liquidation of investments. All services provided to the funds are charged on a fee for service basis. Total fees received or receivable from the funds during the year amounted to $1,566,622 (1998 – $1,805,166).

14. Commitments

SGGF Management Corporation has entered into an operating lease for office premises that expires in 2002.

Following is a schedule of the future minimum lease payments under the terms of the operating lease for the year ended December 31:

2000	$ 84,526
2001	84,526
2002	35,219
Total	$ 204,271

15. Comparative figures

Certain figures have been reclassified to conform to the current years' presentation. Except where noted, the comparative figures on the Consolidated Statement of Operations and Retained Earnings are those of SGGF Management Corporation only.

16. Year 2000 Issue

The Year 2000 Issue arises because many computer systems use two digits rather than four to identify a year. Date sensitive systems may recognize the Year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 dates is processed. In addition, similar problems may arise in some systems that use certain dates in 1999 to represent something other than that date. The effects of the Year 2000 Issue may be experienced before, on or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure that could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

Pacific Rural Systems Inc.

FSC Akwatk Inc.

Big Sky Farms Inc.

Lipton Resources Inc.

Biostar Inc.

SASKATCHEWAN GOVERNMENT GROWTH FUND MANAGEMENT CORPORATION

CORPORATE DATA

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Frank Hart, Vice-Chair
Myron Gulka-Tiechko, Secretary

Management and Staff

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Rob Duguid, Vice President, Investments
Lyle Bolen, CA, Investment Manager
Mike Merth, CA, CMA, Controller
Janet Zakresky, Analyst
Karla Protz, Executive Assistant
Joyce Pakuliak, Accounting Administrator
Nancy Layman, Fund Administrator
Sally Nameth, Receptionist

Fund Companies

Saskatchewan Government Growth Fund Ltd.
Saskatchewan Government Growth Fund II Ltd.
Saskatchewan Government Growth Fund III Ltd.
Saskatchewan Government Growth Fund IV Ltd.
Saskatchewan Government Growth Fund V (1997) Ltd.
Saskatchewan Government Growth Fund VI Ltd.
Saskatchewan Government Growth Fund VII Ltd.
Saskatchewan Government Growth Fund VIII Ltd.

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Points North Digital Technologies Inc. TriNexus Holdings Ltd.

John Nelson Construction Ltd. Clearwater Forest Products Inc. FarmGro Organic Foods Inc. 621400 Saskatchewan Ltd. Prairie Plant Systems Inc.

...ND MANAGEMENT CORPORATION